

CHINA BIWEEKLY

RMB Internationalization Business Promotion Office
Global Business Division

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■ BIWEEKLY DIGEST

[Economy]

- **Main economic indicators for August show a slowdown in investment, production and consumption for two consecutive month**

[Trade/ Investment]

- **Trade statistics for August: Exports rise 5.5% year-on-year (YoY) and imports rise 13.3% YoY**

[Industry]

- **August auto sales rises 5.3% YoY, down 0.9 points month on month (MoM) in growth rate**

[Finance/Exchange]

- **Foreign currency reserves for August increase for seven consecutive months**
- **August cross-border RMB settlements**
- **New RMB loans for August increase by RMB 143.3 billion YoY and RMB 264.5 billion MoM**

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[Economy]

◆ Main economic indicators for August show a slowdown in investment, production and consumption for two consecutive months

On September 14, the National Bureau of Statistics (NBS) announced the main economic indicators for August. Investments in fixed assets for January-August increased 7.8% YoY (down 0.5 points from January-July). Industrial production for August (value-added basis) slowed down to 6.0% YoY (down 0.4 points from July). Total retail sales of consumer goods decreased 10.1% YoY (down 0.3 points from July). Investment, production and consumption showed a slowdown for two consecutive months.

The NBS analyzed that corporate production and management activities were influenced by severe weather conditions such as high temperature and heavy rain in August. They also said that there were certain impacts from shakeout of facilities with low productivity and shutdown of some illegal factories owing to an intensified government crackdown on violations of environmental protection and safety management requirements.

Total profit growth of industrial companies of a certain scale for January-July was 21.2%, up 14.3 points YoY, and tax revenue growth for January-August was 11.6%, up 4.3 points YoY, showing improvement in both corporate earnings and fiscal revenue. With regard to the growth of industrial production for January-August by industry, industrial robot grew 63.0% YoY, new energy car 25.4%, telecommunication and electronic equipment manufacturing 13.5%, and pharmaceutical production 11.7%. As high-added value industries are growing fast and structural adjustment is underway, the NBS explains that the fundamentals underpinning the economic growth have not changed significantly and economic recovery is expected to continue.

The consumer price index (CPI) for August rose 1.8% YoY, up 0.4 points MoM and the producer price index (PPI) rose 6.3% YoY, up 0.8 pts MoM.

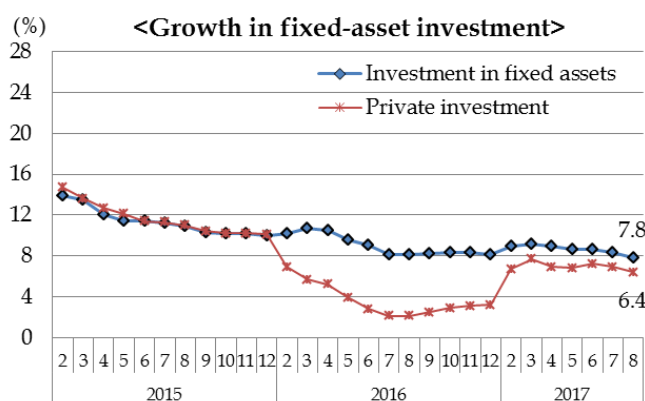
< Main Economic Indicators in August >

Item		Amount	YoY(%)
Investment in fixed assets*		(RMB Bn)	39,415 7.8
State-owned sector		(RMB Bn)	14,383 11.2
Private sector		(RMB Bn)	23,915 6.4
By industry	Primary industry	(RMB Bn)	1,270 12.2
	Secondary industry	(RMB Bn)	14,823 3.2
	Tertiary industry	(RMB Bn)	23,322 10.6
Value-added industrial production**		-	- 6.0
Total retail sales of social consumables		(RMB Bn)	3,033 10.1
Consumer price index (CPI)		-	- 1.8
Industrial producer price index (PPI)		-	- 6.3
Industrial producer purchase price		-	- 7.7
Exports		(USD Bn)	199.2 5.5
Imports		(USD Bn)	157.2 13.3
Trade balance		(USD Bn)	42.0 -

*: Cumulative total for January-August excl. investment by rural companies

** : Of independently-accounted state-run companies and non-state-run companies with annual sales of at least RMB 20 million

Source: Prepared based on the data published by the NBS



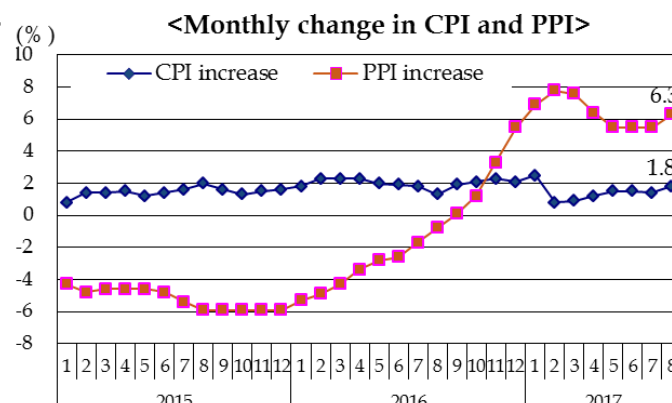
Note: Cumulative total of January to August
Source: Prepared based on public NBS data



Note: Cumulative total of January and February for February data only
Source: Prepared based on public NBS data



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Source: Prepared based on public NBS data



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[Trade / Investment]

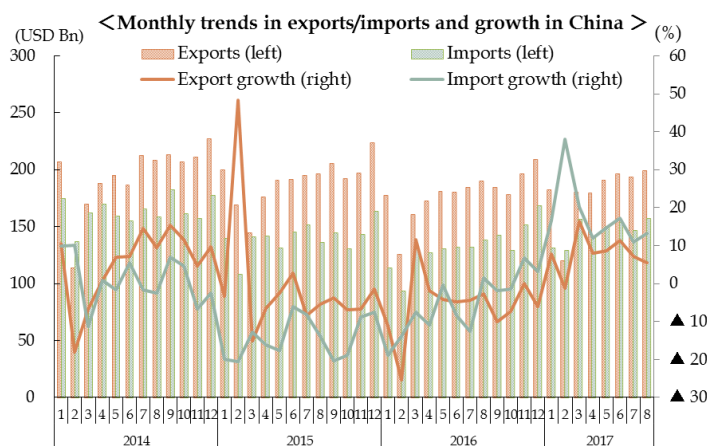
◆Trade statistics for August: Exports rise 5.5% YoY and imports rise 13.3% YoY

According to the preliminary figures for trade statistics (in USD) published by the General Administration of Customs on September 8, total exports and imports in August rose 8.8% YoY (up 8.8% YoY in July) to USD 356.47 Bn. Exports rose 5.5% YoY (up 7.2% YoY in July) to USD 199.23 Bn, and imports rose 13.3% YoY (up 11.0% YoY in July) to USD 157.24Bn. While the growth in exports slowed from the previous month, the growth in imports increased thanks to the strong RMB.

Total exports and imports from January to August grew 11.6% YoY (January-July: up 12.3% YoY) to USD 2.60125 Tn. Exports rose 7.6% YoY (January-July: up 8.3% YoY) to USD 1.43635 Tn, and imports rose 16.9% YoY (January-July: up 17.7% YoY) to USD 1.1649 Tn. The growth both in exports and imports declined from January-July.

For trade with Japan from January to August, exports rose 5.4% YoY (January-July: up 6.2% YoY) and imports rose 14.3% YoY (January-July: up 15.1% YoY). The growth slowed both in exports and imports from January-July.

The General Administration of Customs reported that major items of China's external trade are machinery/electronic products and labor-intensive products, accounting for 57.1% and 20.8% of total exports, respectively, and that the growth in imports are boosted by price and volume increase of resource-related products.



(Source) Prepared based on data published by the General Administration of Customs

<Exports, imports, and growth rate by country and region for January-August 2017 (Top 10)> (USD Bn)

Country/Region	Exports and imports (Jan.-Aug.)	YoY	Exports (Jan.-Aug.)	YoY	Imports (Jan.-Aug.)	YoY
USA	368.9	13.5%	268.5	11.2%	100.4	20.1%
Japan	192.2	10.1%	87.5	5.4%	104.6	14.3%
South Korea	176.1	10.4%	66.3	11.9%	109.9	9.5%
Hong Kong	173.7	▲ 8.2%	169.1	▲ 3.6%	4.6	▲ 66.5%
Taiwan	121.3	9.6%	27.5	7.3%	93.8	10.2%
Germany	107.8	8.7%	45.8	7.9%	61.9	9.3%
Australia	87.6	31.5%	25.5	9.6%	62.2	43.2%
Vietnam	71.9	20.1%	44.3	16.8%	27.6	25.8%
Malaysia	60.7	13.4%	26.1	11.7%	34.6	14.7%
Brazil	58.3	28.7%	18.4	34.2%	39.9	26.4%

(Source) Prepared based on data published by the General Administration of Customs

[Industry]

◆August auto sales rises 5.3% YoY, down 0.9 points MoM in growth rate

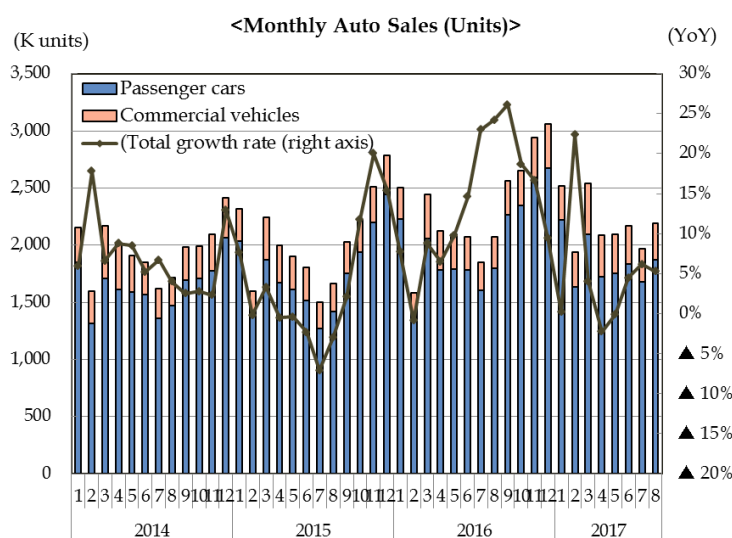
The China Association of Automobile Manufacturers (CAAM) announced on September 11 that August auto sales rose 5.3% YoY to 2.186 million units, slowing from the growth rate of 6.2% YoY in July. Total sales from January to August increased 4.3% YoY to 17.511 million units, increasing from the growth rate of 4.1% YoY in July. At the beginning of the year, CAAM expected the annual auto sales for 2017 would increase about 5% YoY to 29.4 million units, but the current pace of sales is falling behind their expectations.

By type of vehicles in August, sales of passenger cars increased 4.1% YoY to 1.875 million units (July: up 4.3% YoY to 1.678 million units). Among passenger cars, sales of small cars with 1.6 liter or smaller engines fell 0.5% to 1.268 million units (July: down 1.0% YoY to 1.113 million units), a slightly slower pace of decline than the previous month, but continued to decline YoY. On the other hand, sales of commercial vehicles rose 12.8% YoY to 311,000 units (July: up 18.4% YoY to 293,000 units), maintaining a high growth.

By type of passenger car, sedan sales rose 1.6% YoY to 933,000 units (July: down 0.3% YoY to 825,000 units), sports utility vehicle (SUV) sales rose 17.7% YoY to 774,000 units (July: up 18.1% YoY to 690,000 units), and multi-purpose vehicle (MPV) sales declined 23.4% YoY to 138,000 units (July: down 10.9% YoY to 137,000 units). Growth of sedan sales turned positive and growth of SUV sales decreased from the previous month but maintained a high growth.

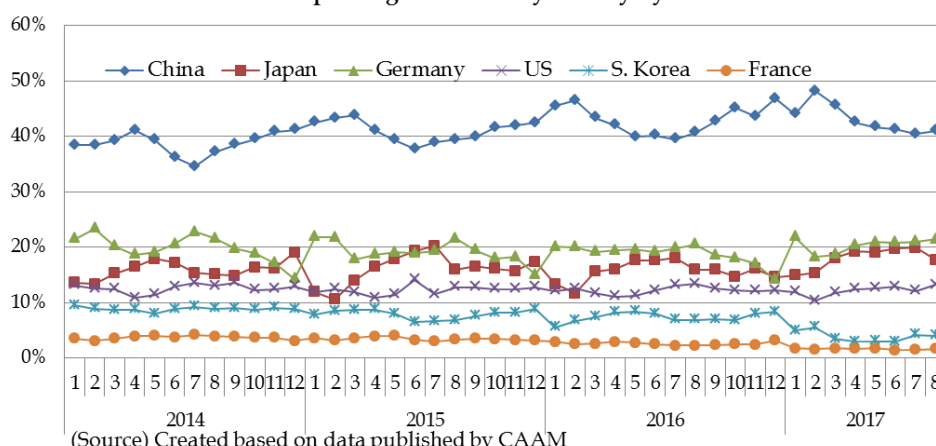
Turning to the sales shares in the Chinese passenger car market, Chinese automakers acquired 41.0% (July: 40.5%) with 769,000 units, German automakers 21.5% (July: 21.0%) with 402,000 units, Japanese automakers 17.8% (July: 19.9%) with 333,000 units, U.S. automakers 13.2% (July: 12.1%) with 248,000 units, South Korean automakers 4.1% (July: 4.2%) with 76,000 units and French automakers 1.7% (July: 1.5%) with 32,000 units. German, U.S. and French automakers increased their market shares.

Sales of new energy vehicles jumped 76.3% YoY to 68,000 units (July: up 55.2% YoY to 56,000 units), of which sales of electric vehicles (EVs) rocketed up 95.5% YoY to 56,000 units (July: up 70.2% YoY to 45,000 units). The EV market continues to grow at a rapid pace.



(Source) Prepared based on data published by CAAM

<Share of passenger car sales by country by month>



(Source) Created based on data published by CAAM

[Finance/Exchange]

◆ Foreign currency reserves for August increase for seven consecutive months

According to an announcement by the People's Bank of China (PBoC) on September 7, foreign reserves in August increased by USD 10.8 Bn to USD 3.0915 Tn, making an increase for seven consecutive months.

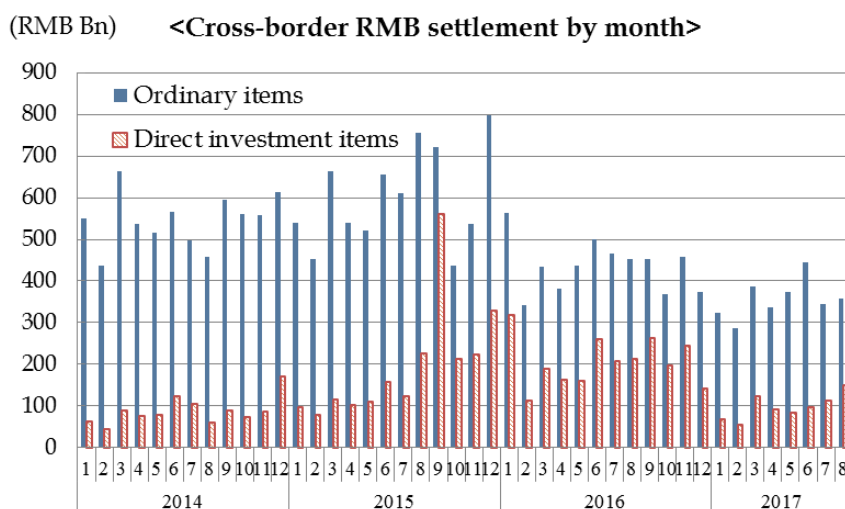
According to the analysis by the State Administration of Foreign Exchange (SAFE), the increase in the August foreign reserves was due to cross-border fund transfers continuing in a balanced condition, balanced supply and demand for foreign currency and an increase in the amount of assets in other currencies converted to USD due to the weak dollar.

SAFE also stated that as the global financial market started to stabilize this year, RMB rate has basically remained stable and RMB selling and foreign currency buying by individuals and corporates are heading towards the rational direction.



◆ August cross-border RMB settlements

The PBoC announced on September 15 that the amount of cross-border RMB settlements in August stood at RMB 358.2 Bn for ordinary items, of which RMB 253.8Bn came from trade of goods and RMB 104.4 Bn from trade in services. The amount for direct investment items was RMB 148.3 Bn, of which RMB 112 Bn came from inward foreign direct investment and RMB 36.3 Bn from outward foreign direct investment.



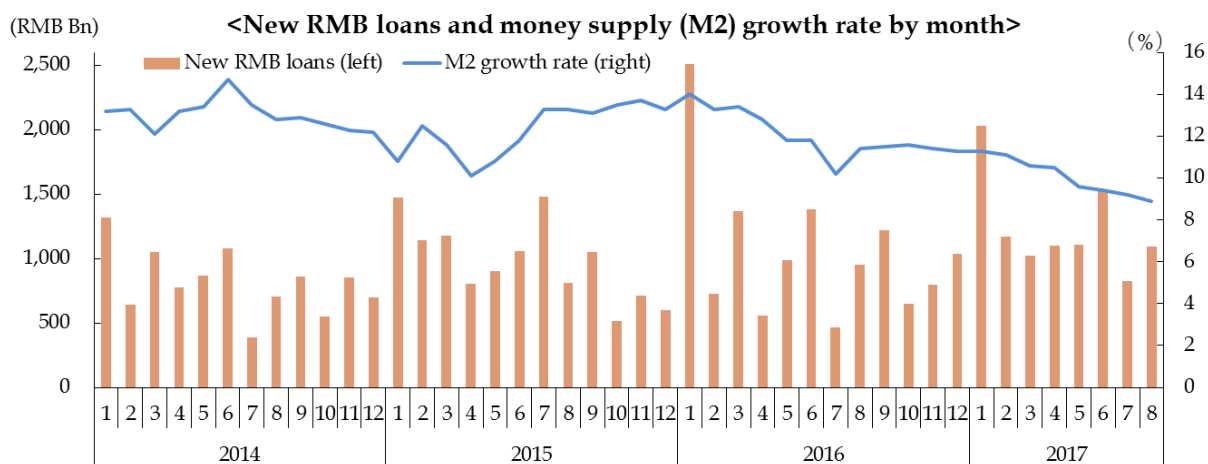
◆New RMB loans for August increase by RMB 143.3 billion YoY and RMB 264.5 billion MoM

The PBoC announced on September 15 that new RMB loans for August increased RMB 143.3 Bn YoY to RMB 1.09 Tn, up RMB 264.5 Bn MoM.

Total social financing(*), which shows the amount of liquidity supplied to the real economy, grew RMB 18.6 Bn YoY to RMB 1.48 Tn, up RMB 260 Bn MoM.

Money supply (M2) as of the end of August rose 8.9% YoY (up 9.2% YoY as of the end of July) to RMB 164.52 Tn. The rate of increase has stayed below the government's annual goal of around 12%.

(*) Total social financing = RMB loans + Foreign currency loans + Entrusted loans + Trust loans + Bank acceptance bills + Corporate bonds + Non-financial companies' equity financing + Compensations made by insurance companies + Investment properties + Other



(Source) Created based on data published by the PBoC